

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, DC 20503



THE DIRECTOR

April 4, 2000

The Honorable Trent Lott
Majority Leader
United States Senate
Washington, D.C. 20510

Dear Mr. Leader:

I am writing to express the Administration's deep concerns about the budget resolution that the Senate will debate this week. The resolution reported by the Senate Budget Committee would set the country's overall fiscal policy on the wrong path. If implemented, it would reverse much of the fiscal progress of recent years and could endanger our hard-won budget surplus. It is a fiscal plan that will make it extremely difficult to address priorities such as reducing our public debt, strengthening Social Security and Medicare, including providing a prescription drug benefit option, expanding health care coverage, and enacting targeted tax relief. The resolution will also make it difficult to complete the FY2001 appropriations bills in a timely manner.

The budget resolution makes room for a fiscally irresponsible tax cut by short-changing important priorities for the American people. As a result, Social Security, Medicare, health coverage, and discretionary programs would all suffer under the resolution reported by the Budget Committee. The resolution calls for policies that would undermine the pledge to dedicate the entire Social Security Trust Fund annual surpluses to debt reduction. In short, the resolution calls for tax cuts and related additional debt service costs that would consume virtually the entire OMB and CBO projected on-budget surplus over the next five years.

The resolution creates room for the tax cut through an unrealistic assumption that Congress will be able to pass deep cuts in domestic discretionary spending. The resolution would cut next year's budget for most non-defense programs by an average of twelve percent. These artificially low levels would be cut even lower over time in order to pay for the resolution's tax cut. Too often, past policymakers have used questionable economic and budget assumptions to produce rosy scenarios and avoid making tough but necessary budget choices. That approach to budgeting helped produce the record deficits of the 1980s and early 1990s. This resolution should not set us back on that course.

The results of these discretionary cuts would be devastating. The resolution could force us to end the effort to put 100,000 new teachers in our nation's classrooms to reduce class sizes. We would be unable to reach the President's goals of serving 950,000 children in Head Start and providing urgent repairs for 5,000 schools. The resolution rejects the President's proposal to continue putting new police officers on our streets and would leave the COPS program about 40,000 officers short of its goal of 150,000. Compared to the President's Budget, the resolution would require the FBI to cut nearly 900 agents. It would mean 19,100 fewer researchers, educators, and students receiving support from the National Science Foundation. It would also threaten our ability to keep our national security commitments around the world.

Discretionary spending is not the only priority that would be crowded out by the resolution's fiscally irresponsible tax cut. The resolution does not adequately address the critical issues of Social Security and Medicare. The Committee-reported resolution includes no proposals to extend Social Security solvency. The reserve fund for Medicare makes significant improvements from the House language. Nevertheless it remains inadequate to address Medicare solvency and modernize the program with a prescription drug benefit option. Moreover, the resolution fails to fund other important health initiatives, including the President's proposals to expand access to health coverage through Medicaid and the State Children's Health Insurance Program (SCHIP). The President's Budget framework would allocate \$91 billion (\$18 billion over five years) to the health coverage initiative.

The President's budget proposed to reverse some of the mechanisms used last year in the final appropriations bills. We made those proposals to restore normal budgetary conventions in hopes of returning to more straightforward fiscal legislation that is free of gimmicks. The resolution rightly assumes the President's proposal to reverse some of those timing shifts. Unfortunately, by relying on unrealistic assumptions about discretionary spending, the budget resolution risks once again forcing the use of the same approach.

The Committee-reported resolution is fundamentally flawed and fails to provide a balanced and workable economic plan. In the past, this approach has delayed, rather than expedited, action on appropriations bills and other fiscal legislation.

In contrast, the alternative that Senator Lautenberg is expected to offer on behalf of the Democratic leadership is a more responsible budget that improves on the Republican resolution in a number of important aspects. It assumes a more responsible aggregate level of non-defense discretionary spending that would be available to fund education, law enforcement, the environment, and other critical needs. It includes a targeted tax cut that will not put our surplus at risk. The Lautenberg alternative would also allow for a number of important health initiatives, such as expanding access to health coverage, extending Medicare's solvency, and providing a prescription drug benefit option.

I hope you will support amendments to revise the Committee-reported resolution to address the Administration's concerns and pass a bipartisan budget resolution that will make it possible to complete this year's work in a timely manner while producing effective results for the American people. I look forward to working with you towards that end.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jacob J. Lew', written in a cursive style.

Jacob J. Lew
Director

Identical letter sent to the Honorable Thomas A. Daschle

cc: The Honorable Pete V. Domenici
The Honorable Frank R. Lautenberg